

State of Alaska FY2008 Governor's Operating Budget

**Dept of Commerce,Community,& Economic Development
Qualified Trade Association Contract
RDU/Component Budget Summary**

RDU/Component: Qualified Trade Association Contract*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Promote Alaska as a top visitor destination, communicating and promoting the Alaskan tourism industry as one of the state's major economic forces.

Core Services

- Promote and facilitate travel to and throughout the State of Alaska.
- Provide a broad-based association of individuals and companies with an interest in the visitor industry in Alaska.
- Increase awareness of the economic importance of the visitor industry.
- Work cooperatively with the state on tourism development and long-range planning.

End Results	Strategies to Achieve Results
A: Increase interest and awareness of Alaska as a travel destination. <u>Target #1:</u> 2% increase the number of high potential visitors to Alaska. <u>Measure #1:</u> % increase in high potential visitors (measured through Images of Alaska research). <u>Target #2:</u> 2% increase in domestic and international visitors between May 1 and September 30 on each year. <u>Measure #2:</u> % increase in all visitors between May 1 and September 30.	A1: Distribute information to consumers via marketing brochures. <u>Target #1:</u> 500,000 brochures distributed to potential Alaska visitors. <u>Measure #1:</u> Number of brochures distributed. A2: Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels. <u>Target #1:</u> Media selection converts to travel at a rate of 12% or higher. <u>Measure #1:</u> Conversion rates. A3: Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail. <u>Target #1:</u> 5% increase TravelAlaska.com unique visitors. <u>Measure #1:</u> % increase in unique visitors to TravelAlaska.com.
End Results	Strategies to Achieve Results
B: Increase the number of domestic visitors to Alaska. <u>Target #1:</u> 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30. <u>Measure #1:</u> % of annual increase in domestic visitors	B1: Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Travel Institute's Alaska Destination Specialist course. <u>Target #1:</u> 150 Alaska Destination Specialist Graduates

	(through Alaska destination training to 560 travel agents/year). <u>Measure #1:</u> Number of Alaska Destination Specialist Graduates.
End Results	Strategies to Achieve Results
C: Increase international visitors to Alaska from Japan. <u>Target #1:</u> 2% increase in visitors from Japan. <u>Measure #1:</u> % increase in number of visitors from Japan. <u>Target #2:</u> 2% increase in annual visitors to Alaska from Germany. <u>Measure #2:</u> % increase in number of visitors to Alaska from Germany.	C1: Increase international air carrier service offered to Alaska. <u>Target #1:</u> 2% increase in additional international air carrier flights to Alaska. <u>Measure #1:</u> % increase in international flights to Alaska.
End Results	Strategies to Achieve Results
D: Promote travel to Alaska by generating stories of interest to both national and international media outlets. <u>Target #1:</u> 2% annual increase in value of media coverage generated through public relations activities. <u>Measure #1:</u> % increase in value of media generated through ATIA's public relations efforts.	D1: Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors. <u>Target #1:</u> 2% annual increase in the number of Alaska Media Road Show participants (to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters). <u>Measure #1:</u> % annual increase in the number of Alaska Media Road Show participants. D2: Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance. <u>Target #1:</u> 2% annual increase in the number of journalists assisted. <u>Measure #1:</u> % increase in the number of journalists assisted.

Major Activities to Advance Strategies

- Increase interest in Alaska as a visitor destination by targeting visitors who have an active interest in visiting Alaska
- Attract a diverse group of travelers to Alaska travelling by a variety of travel modes
- Position Alaska as a year-round destination
- Increase independent visitation to Alaska
- Increase the rate of repeat visitation to Alaska
- Increase awareness and participation of businesses in the Statewide tourism marketing program

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$5,005,100

Personnel:

Full time	0
Part time	0
Total	0

Performance Measure Detail

A: Result - Increase interest and awareness of Alaska as a travel destination.

Target #1: 2% increase the number of high potential visitors to Alaska.

Measure #1: % increase in high potential visitors (measured through Images of Alaska research).

Number of High Potential Visitors (Millions)

Year	YTD Total	Target
2000	22.5	22.5
2006	20.0 -11.11%	22.95 +2.00%

ATIA is currently analyzing possible reasons for decline in high potentials. Discussions focus on national trends that indicate that people tend to take shorter vacations closer to home. Alaska marketing programs must continually address perceptions that Alaska is "too far away."

Analysis of results and challenges: Last Update: November 8, 2006

Data gathering for the 2006 Images of Alaska study is complete. Preliminary data show that 20.0 million people or 9% of all U.S. adults are identified as being high-potential visitors (adults who state a high likelihood of visiting Alaska in the next 5-7 years).

Previously, the 2000 Images of Alaska study identified the size of the prospective/potential/high potential Alaska visitor market. 22.5 million people or 11% of all U.S. adults are identified as being high-potential visitors.

Target #2: 2% increase in domestic and international visitors between May 1 and September 30 on each year.

Measure #2: % increase in all visitors between May 1 and September 30.

Year	YTD Total	Target
2001	1.2	0
2002	1.28 +6.67%	0 0%
2003	1.3 +1.56%	0 0%
2004	1.48 +13.85%	0 0%
2005	1.53 +3.38%	1.51 0%
2006	0 -100.00%	1.56 +3.31%

The Alaska Visitor Statistics Program measures visitation between May to September of each year. The last major baseline study was conducted in 2000-2001 and the next will begin May 1, 2006. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The 2001 study established that 91% of Alaska's visitors come during the Summer (May 1 through September 30). This table shows summer visitors from summers 2001 to 2005.

Analysis of results and challenges: Last Update: 11/8/06

Summer 2006 visitor data is not available as of this update. Early estimates of cruise ship passenger numbers indicate about a 4% passenger increase over summer 2005. Since cruise ship visitation is currently responsible for the bulk of the growth in visitation, we should expect a corresponding 3-4% increase in total visitation for summer 2006. Alaska Visitor Statistics Program data is expected toward the end of 2006 after Cruise Line Agencies of Alaska's final data is released in November 2006.

Currently, we know that visitors to Alaska increased over 3% between the summer 2004 visitor season (1.48 million visitors) and the summer 2005 visitor season (1.53 million visitors).

A1: Strategy - Distribute information to consumers via marketing brochures.

Target #1: 500,000 brochures distributed to potential Alaska visitors.

Measure #1: Number of brochures distributed.

Number of Alaska Marketing Brochures Distributed

Fiscal Year	Quarter 1	YTD Total	Target
FY 2003	0	536,043	503,866
FY 2004	0	518,693	456,009
FY 2005	0	495,227	445,551
FY 2006	0	589,082	528,864
FY 2007	46,680	46,680	511,429

Analysis of results and challenges: The role of the ATIA consumer marketing programs is to find potential visitors throughout North America and provide them with compelling information about Alaska in an effort to convert their interest in Alaska to actual travel to the state. Aggressive direct response programs in FY'06 allowed ATIA to reach millions of potential visitors and resulted in nearly 589,082 qualified requests for Alaska travel information.

Each year, the Alaska Travel Industry Association (ATIA) establishes a goal in regards to the number of marketing brochures distributed to potential visitors.

ATIA will continue to measure the number of brochures being sent each week, along with the total for the year, and share this information with the state and ATIA's member businesses. This is important data because it substantiates how effectively ATIA marketing programs deliver Alaska's message.

A2: Strategy - Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels.

Target #1: Media selection converts to travel at a rate of 12% or higher.

Measure #1: Conversion rates.

ATIA Conversion Rates

Fiscal Year	YTD Total	Target
FY 2001	12%	0
FY 2002	14%	0 0%
FY 2003	15%	0 0%
FY 2004	15.6%	0 0%
FY 2005	14.7%	12%

Analysis of results and challenges: Update: November 8, 2006

The 2005 Alaska Conversion Study was conducted to measure the effectiveness and cost efficiency of selected advertising sources used in the 2005 Alaska Tourism Industry Association program. The overall 2005 conversion rate for all sources tested is 14.7%, which is slightly lower compared to 2004 (15.6%).

Conversion rates are highest in the West (13%), followed closely by the East (11%), Midwest (11%) and the South (9%).

The overall return on investment (including transportation costs) for all 2005 sources combined is \$174.54 per visitor, up over \$14 compared to 2004 (\$160.25 per visitor).

A3: Strategy - Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail.

Target #1: 5% increase TravelAlaska.com unique visitors.

Measure #1: % increase in unique visitors to TravelAlaska.com.

Unique Visitors to TravelAlaska.com

Fiscal Year	Quarter 1	YTD Total	Target
FY 2003	0	850,924	0
FY 2004	0	1,451,151	0
FY 2005	0	1,494,488	0
FY 2006	0	2,043,808	1,569,212
FY 2007	434,412	434,412	2,145,998

Analysis of results and challenges: ATIA tracks web site statistics throughout the year and shares the information with the marketing committee so their decisions can be based on relevant and reliable information. Unique visitors to the www.travelalaska.com site increased 37% in FY06 over FY05.

B: Result - Increase the number of domestic visitors to Alaska.

Target #1: 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30.

Measure #1: % of annual increase in domestic visitors

Summer-Domestic Visitors to Alaska (in millions)

Year	YTD Total	Target
2001	1.09	0
2002	1.16 +6.42%	0 0%
2003	1.19 +2.59%	0 0%
2004	1.32 +10.92%	0 0%
2005	1.39 +5.30%	1.33 0%
2006	0 -100.00%	1.42 +6.77%

The Alaska Visitor Statistics Program measures visitation between October to September of each of year. The last major baseline study was conducted in 2000-2001 and the next will begin May 1, 2006. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The study established that 91% of Alaska's visitors are domestic travelers and 83% of them come during the Summer (May 1 through September 30). This table shows summer domestic visitors from summers 2001 to 2005.

Analysis of results and challenges: Last Update: 11/8/06

Summer 2006 visitor data is not available as of this update. Early estimates of cruise ship passenger numbers indicate about a 4% passenger increase over summer 2005. Since cruise ship visitation is currently responsible

for the bulk of the growth in visitation and cruise ship visitors are primarily domestic visitors, we should expect a corresponding 3-4% increase in total visitation for summer 2006. Alaska Visitor Statistics Program data is expected toward the end of 2006 after Cruise Line Agencies of Alaska's final data is released in November 2006.

Currently, we know that domestic visitors to Alaska increased over 5% between the summer 2004 visitor season (1.3 million domestic visitors) and the summer 2005 visitor season (1.4 million domestic visitors).

B1: Strategy - Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Travel Institute's Alaska Destination Specialist course.

Target #1: 150 Alaska Destination Specialist Graduates (through Alaska destination training to 560 travel agents/year).

Measure #1: Number of Alaska Destination Specialist Graduates.

Number Destination Specialist Graduates

Fiscal Year	YTD Total	Target
FY 2004	150	
FY 2005	151	150
FY 2006	0	150

Analysis of results and challenges: Last update: November 8, 2006
Table will be updated as soon as data is available.

C: Result - Increase international visitors to Alaska from Japan.

Target #1: 2% increase in visitors from Japan.

Measure #1: % increase in number of visitors from Japan.

Number of Japanese Visitors to Alaska

Fiscal Year	YTD Total	Target
FY 2004	4,200	
FY 2005	5,850 +39.29%	5850
FY 2006	0 -100.00%	5,967 +2.00%

Analysis of results and challenges: Last Update: 11/8/06

2006 international visitor data is not available as of this update. Alaska Visitor Statistics Program data for summer 2006 international visitors will be available early in 2007. Visitor data on 2006-2007 winter Japanese visitors will be available in summer 2007.

Currently, we know that FY04 and FY05, visitors from Japan to Alaska increased by 38%. This increase is reflective of a rebounding international market following terrorism attacks in 2001 and increased seats provided by Japan Airlines. Lesser, but still significant increases are expected in 2006.

It is increasingly important to track the number of visitors coming from overseas markets, especially given the changes that occurred as a result of 9/11 and homeland security issues. In FY03, ATIA conducted an international research study to determine the size of the prospective and high potential visitor markets in Japan, Australia, UK and German-speaking Europe. This study provides a baseline measurement tool for future assessment. The Alaska Visitor Statistics Program also provides information regarding the number of visitors coming from specific international markets and an update will be available following data collection in the 2006-07 visitor season. The Travel Industry of America reports that international arrivals to the US increased by 11.8% in 2004 over 2003.

Target #2: 2% increase in annual visitors to Alaska from Germany.

Measure #2: % increase in number of visitors to Alaska from Germany.

Number of German visitors to Alaska.

Fiscal Year	YTD Total	Target
FY 2004	6,663	0
FY 2005	7,721 +15.88%	7,721 0%
FY 2006	0 -100.00%	7,875 +1.99%

Analysis of results and challenges: Last Update: 11/8/06

2006 international visitor data is not available as of this update. Alaska Visitor Statistics Program data for summer 2006 international visitors will be available early in 2007. Visitor data on 2006-2007 winter German visitors will be available in summer 2007.

Currently, we know that between summer 2004 and summer 2005, visitors from Germany to Alaska increased by nearly 16%. This increase is reflective of a rebounding international market following terrorism attacks of 2001 and increased seats provided by Condor Airlines from Germany. Lesser, but still significant increases are expected in 2006.

C1: Strategy - Increase international air carrier service offered to Alaska.

Target #1: 2% increase in additional international air carrier flights to Alaska.

Measure #1: % increase in international flights to Alaska.

Number of International Flights to Alaska

Fiscal Year	YTD Total	Target
FY 2004	0	0
FY 2005	0 0%	0 0%
FY 2006	0 0%	0 0%

Data will be added.

Analysis of results and challenges: Although the number of flights has been increased, it is difficult to measure without the help from outside agencies.

D: Result - Promote travel to Alaska by generating stories of interest to both national and international media outlets.

Target #1: 2% annual increase in value of media coverage generated through public relations activities.

Measure #1: % increase in value of media generated through ATIA's public relations efforts.

Print Media Value (million)

Fiscal Year	YTD Total	Target
FY 2006	7.4	7.4
FY 2007	0 -100.00%	7.54 +1.89%

In addition to media value, the B4UDIE Billboard campaign generated 8.5 million audience impressions and B-roll distributed to networks on baby bison generated 7.2 million audience impressions.

Source: Independent third party review, Bacons, October 1 2005 through June 30, 2006

Analysis of results and challenges: Last Update: November 2, 2006

The public relations program works with the media to generate travel stories featuring a wide variety of Alaska travel products, regions and market segments.

D1: Strategy - Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors.

Target #1: 2% annual increase in the number of Alaska Media Road Show participants (to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters).

Measure #1: % annual increase in the number of Alaska Media Road Show participants.

Number of Media Road Show Participants

Fiscal Year	YTD Total	Target
FY 2005	33	0
FY 2006	46 +39.39%	47 0%
FY 2007	64 +39.13%	48 +2.13%
FY 2008	0 -100.00%	49 +2.08%

Analysis of results and challenges: In FY06, ATIA staff and the public relations contractor hosted the fourth annual Alaska Media Road Show in Whistler, BC, matching 33 members and community partners with 35 national travel writers to generate Alaska stories. The Alaska Media Roadshow is the flagship event of the public relations efforts and has proven to be an effective tool in reaching a variety of media. The FY'07 road show was planned for New York City to give partners and sponsors an even better opportunity to impact the world's top journalist and media outlets with Alaska's tourism story.

D2: Strategy - Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.

Target #1: 2% annual increase in the number of journalists assisted.

Measure #1: % increase in the number of journalists assisted.

Number of Journalists Assisted

Fiscal Year	Quarter 1	YTD Total	Target
FY 2004	0	330	
FY 2005	0	450	
FY 2006	0	500	459
FY 2007	74	74	510

Analysis of results and challenges: In FY'06 ATIA provided itinerary planning, b-roll duplication, fact checking, image fulfillment and editorial suggestions to over 400 domestic journalists and over 100 international media outlets.

Key Component Challenges

- Worldwide issues such as war, homeland security and natural disasters continue to impact the travel industry. Recently, the American Automobile Association predicted that gasoline prices would need to increase \$2.50 or \$3.00 a gallon before travel behavior would be affected. Those prices have been reached and even been exceeded in some parts of the country. Fuel prices for automobile and air transportation are expected to be of concern to visitors traveling to Alaska and for operators who provide services in Alaska.
- The national trend toward taking shorter trips that are closer to home works against Alaska, especially as it relates to long-haul driving vacations.

- Accessibility to Alaska's public lands will continue to impact Alaska tourism product offerings.

Significant Changes in Results to be Delivered in FY2008

No significant changes.

Major Component Accomplishments in 2006

Increased interest in Alaska as a visitor destination.

- Elevated Alaska's logo and tagline from a service mark status to full registered trademark.
- Received more than 589,000 requests from consumers for Alaska trip planning information who have a high level of interest in visiting Alaska in the near future.
- With scaled back budget for television advertising, ATIA still exceeded expectations for television responses by coming in at 145% of goal.
- Increased the number of unique visitors to TravelAlaska.com by 37% percent over the past year, totaling more than 2 million individual consumers.
- Executed a national magazine campaign estimated to reach an audience of more than 29 million readers.
- Reached more than 2.76 million consumers throughout the U.S. through direct mail campaign with a personal message from the Governor inviting them to visit Alaska. Average response rate was 9.1%.

Implemented programs aimed at increasing independent visitors.

- Conducted Alaska/Yukon campaign with Yukon Government to promote travel to Alaska and Yukon via highway. The program generated more than 10,900 individual requests for Alaska and Yukon trip planning information.
- Targeted high potential highway travelers by sending more than 501,000 direct mail packages to consumers and 59,000 emails to consumers. The program generated over 94,000 responses (133% of goal).
- Participated in six consumer shows in key markets that cater to adventure travel, sport fishing and highway travel. Nine member businesses participated with ATIA at the booth and 18 businesses participated through brochure distribution.
- Worked with National Park Service to build awareness of Alaska's National Parks to increase overall visitation to Parks and to ease congestion at well-known parks by generating interest in lesser-known parks.
- Highlighted Alaska's scenic byways in state vacation planner in an effort to increase awareness of the highway routes that have earned official designation and recognition for their significant resources.
- Provided press kits created for specific market niches including highway travel, adventure travel, cultural tourism, sport fishing and winter travel. Conducted press trips and provided itinerary assistance, new visitor opportunity information.

Implemented programs aimed at increasing domestic and international visitors to Alaska.

- Conducted training seminars and renewed sponsorship of the Destination Specialist Alaska course which resulted in 151 new certified travel agents.
- As a cost control measure, changed international contractual obligations in German speaking Europe, UK and Australia to allow ATIA to be more proactive in working directly with trade partners and to develop the most effective marketing programs in key markets.
- Provided media assistance for 53 international travel writers resulting in media coverage in five key markets with a total public relations value of \$12.9 million.
- Coordinated familiarization tour for 20 Taiwanese tour operators.
- Participated in Taiwan-Alaska Trade & Investment Cooperation council meeting in Taipei and one outcome was to conduct a series of travel agent/tour operator training sessions in Taipei to better educate agents about Alaska.
- Increased international visitors to Alaska by working with partners to secure winter charters (Japan Air Lines).

Positioned Alaska as a year-round destination.

- Featured winter images in marketing efforts to increase interest in winter activities.
- Participated in the effort to bring 3 direct winter charter flights from Japan non-stop to Fairbanks for the first time.
- Provided *A Winter in Alaska* press kit on the www.travelalaska.com/media website.
- Included stories on Helisking, Winter Flights from Japan, the Iditarod Sled Dog Race, Ice Carving in Fairbanks in ATIA's electronic newsletter that is sent to over 750 travel journalists.

Statutory and Regulatory Authority

AS 44.33.119-125 Tourism Marketing Contracts

Contact Information
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Qualified Trade Association Contract Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	5,000.0	5,005.1	5,005.1
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,000.0	5,005.1	5,005.1
Funding Sources:			
1004 General Fund Receipts	2,750.0	0.0	0.0
1175 Business License and Corporation Filing Fees and Taxes	2,250.0	0.0	0.0
1200 Vehicle Rental Tax Receipts	0.0	5,005.1	5,005.1
Funding Totals	5,000.0	5,005.1	5,005.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Business License Receipts	51173	2,250.0	0.0	0.0
Restricted Total		2,250.0	0.0	0.0
Total Estimated Revenues		2,250.0	0.0	0.0

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor***All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	5,005.1	0.0	0.0	5,005.1
FY2008 Governor	5,005.1	0.0	0.0	5,005.1